

SANDON CAPITAL

Sandon Capital Activist Fund

October 2017 Monthly Report

Entry/Exit Prices: \$1.5970/\$1.5843

Performance Results (calculated net of all fees, assuming reinvestment of distributions and using unit mid-price. Indices are before fees.)

	1 month	1 year	3 yrs (p.a.)	5 yrs (p.a.)	Annualised since Fund inception	Annualised volatility since Fund inception	Total Return since Fund inception
SCAF	0.2%	5.6%	6.8%	12.7%	12.2%	7.8%	155.7%
S&P/ASX 200 Accum.	4.0%	16.1%	6.9%	10.3%	8.2%	12.1%	90.7%
Small Ordinaries Accum.	6.0%	14.6%	10.5%	6.1%	4.2%	15.0%	40.3%

Net Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009									2.5%	2.4%	-0.9%	1.0%	5.0%
2010	1.0%	-0.3%	-0.7%	2.9%	-4.2%	4.2%	4.4%	-0.6%	2.3%	2.4%	3.5%	-0.9%	14.5%
2011	1.3%	0.6%	0.5%	1.3%	-1.9%	-2.7%	-0.1%	-0.1%	1.9%	2.1%	2.5%	2.2%	7.8%
2012	-1.0%	0.4%	1.8%	2.1%	-2.8%	-1.0%	3.3%	0.5%	2.5%	2.8%	0.1%	2.2%	11.1%
2013	2.1%	3.2%	-1.4%	1.3%	2.8%	-3.7%	6.9%	0.7%	6.5%	5.7%	0.3%	0.3%	27.1%
2014	-0.3%	1.6%	1.9%	-0.3%	2.0%	0.5%	3.9%	2.1%	2.8%	-0.5%	1.0%	0.8%	16.7%
2015	-0.2%	0.0%	1.0%	0.3%	0.2%	-4.1%	3.9%	-4.9%	2.3%	3.5%	1.0%	0.9%	3.6%
2016	-1.3%	-3.3%	2.7%	1.8%	0.8%	0.7%	4.6%	0.0%	1.7%	1.5%	3.3%	0.1%	13.1%
2017	4.4%	-3.4%	0.2%	-2.0%	-1.3%	1.7%	1.3%	3.9%	-2.6%	0.2%			2.1%

Portfolio Exposures

Net Exposure	80%	Long Positions	27
Net Cash	20%	Short Positions	1

Fund Commentary

The Fund delivered a 0.2% return for October, bringing total returns (net of all fees and expenses) since inception to the equivalent of 12.2% per annum. Cash levels ended the month at approximately 20%.

In the last few months, the fund has underperformed the small cap and broader share market, as these have reached near pre-GFC highs. We believe the market returns have been driven by expectations that all good things can continue forever: we know from harsh experience this is not so. The Fund has experienced such periods of underperformance before. We remain disciplined and true to our approach to investing despite watching the markets hit new highs, and are not tempted to drink the Kool-Aid. We believe any market volatility will deliver attractive investment opportunities and we continue to focus on attempting to drive positive changes in the companies we target.

FWD was the main detractor this month (~1.1%). The volume of FWD shares traded on several days during the month suggested to us that there were sellers wanting to sell at any price. This, combined with an absence of news from the company (despite our already stated concerns regarding the RV business), gave an opportunity to buy more FWD shares at attractive prices. Since then, the selling appears to have moderated, and the price has increased 12% from its intra month lows. We are keenly awaiting any news that might emanate from the AGM in late November.

COG's share price increased more than 13% over the month, making a +2.2% contribution to the Fund performance. There was no news from the company. As with FWD (and other portfolio companies), we keenly await any commentary from the AGM that might provide updates on business performance.

The shareholder vote on the Tatts Group (TTS) / Tabcorp Limited (TAH) Scheme of Arrangement is slated to take place on 30 November. We have recently released a presentation outlining our case as to why we think TTS shareholders should vote against the Scheme (www.sandoncapital.com.au and click on the "Campaigns" tab). When the Deed Implementation Agreement was announced in October 2016, the implied consideration was \$4.34/share, which we believe woefully undervalued the value of TTS. Sandon assessed standalone valuation for TTS is >\$5/share. Since then, Tabcorp shares have fallen ~6.3%, despite a 12% increase in the S&P/ASX200 and the Scheme Consideration for TTS shareholders today is only \$4.09/share. We believe the market has rightly sold down the TAH share price on the back of disappointing Wagering results and underwhelming outlooks. Meanwhile, the longer-term outlook for TTS crown jewel Lotteries business continues to go from strength to strength. Funds managed by Sandon Capital intend to vote against the Scheme of Arrangement. We urge all other TTS shareholders to do the same.

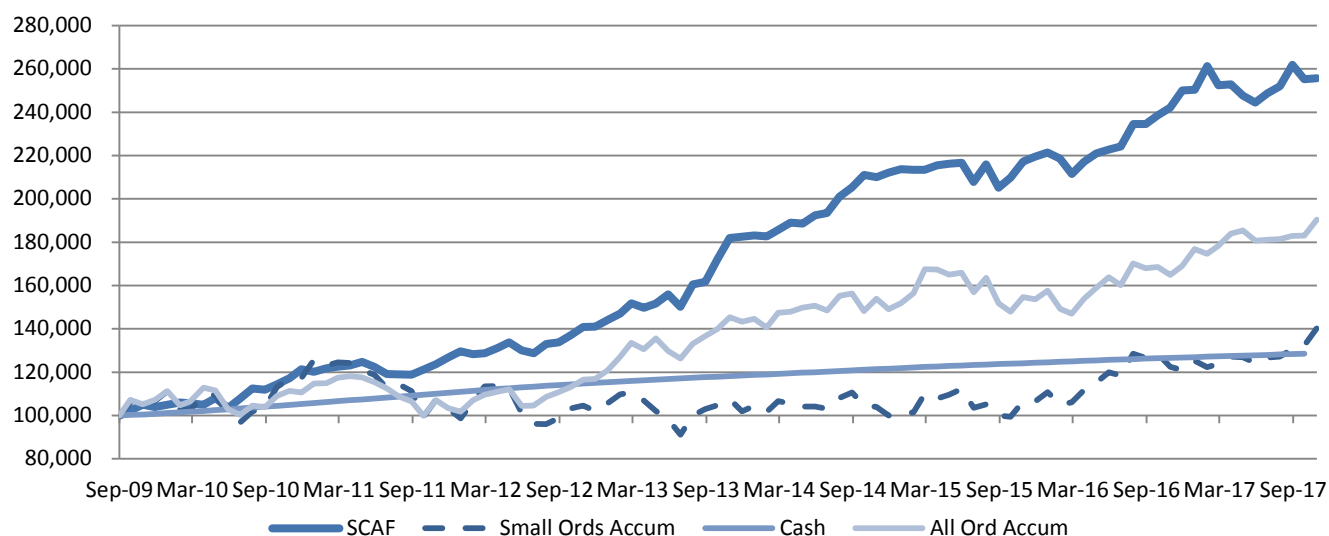
Fund Description

The objective of the Fund is to deliver returns to investors through a combination of capital growth and distributions. The Fund aims to achieve this objective by seeking to invest in opportunities that are considered by Sandon Capital to be trading below their intrinsic value and that offer the potential of being positively influenced by investors taking an active role in proposing changes in the areas of corporate governance, capital management, strategic and operational issues, management arrangements and other related activities. Neither returns nor capital are guaranteed.

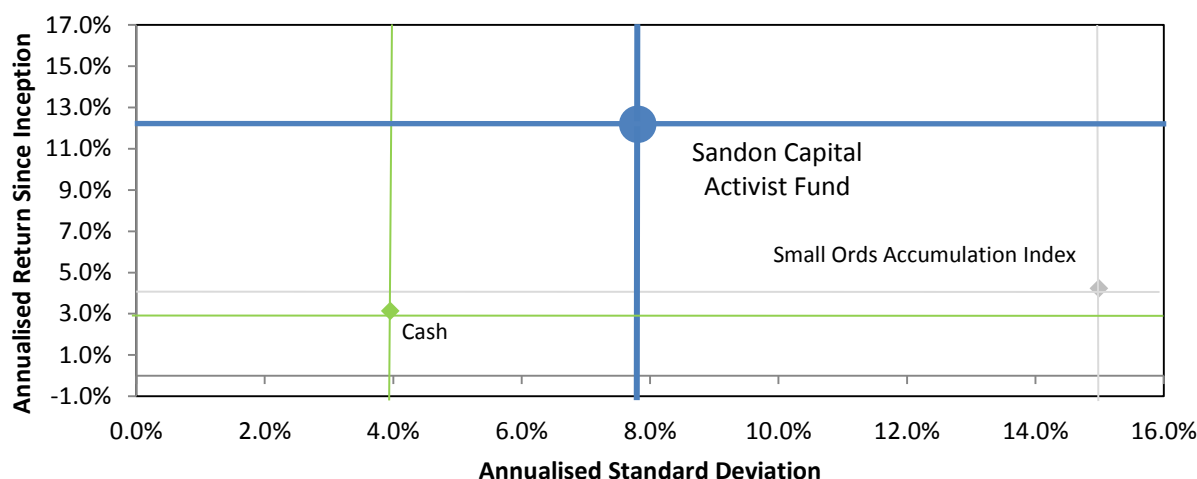
Fund Details

Structure	Wholesale unit trust	Minimum Investment	\$250,000 (or as agreed with trustee)
Trustee	Fundhost Ltd	Trustee Fees	0.21%
Custodian	National Australia Bank	Management Fees	1.33%
Fund Auditor	EY	Performance Fees	15.375% of returns above cash
Investment Manager	Sandon Capital Pty Ltd	Highwater Mark	Yes
Website	www.sandoncapital.com.au	Buy/Sell Spread	±0.40%
Inception	4 Sep 2009	Applications/Withdrawals	Monthly/Quarterly

Growth of \$100,000 invested since inception (assumes reinvestment of distributions)



Comparison of Annualised Return versus Volatility



Source for all charts: Sandon Capital, Bloomberg

Note: SCAF returns are net of all fees and expenses. Fund inception is 4 September 2009.

Fundhost Limited (ABN 69 092 517 087) (AFSL 233045) ("Fundhost") as trustee of, and issuer of units in, the Sandon Capital Activist Fund ("Fund"). Sandon Capital Pty Limited (ABN 98 130 853 691) (AFSL 331 663) ("Sandon Capital") is the Investment Manager of the Fund.

Fund performance is after fees and assumes distributions are reinvested. Past performance is not a reliable guide to future performance. This information has been prepared without taking into account your investment objectives, financial situation, or needs. Before making an investment decision you should consider the appropriateness of the information having regard to these matters. Before you invest it is important that you read and understand the terms set out in the Sandon Capital Activist Fund Information Memorandum ("IM") dated 25 October 2013. In particular, it is important that you understand the risks associated with an investment in the Fund set out on page 6 of the IM.

Information provided by the Investment Manager are views of the Investment Manager only and can be subject to change. While information in this report is given in good faith and is believed to be accurate, Fundhost and Sandon Capital give no warranty as to the reliability or accuracy of the information, nor accept any responsibility for any errors or omissions of third parties. To the extent permitted by law, neither Fundhost nor Sandon Capital, including their employees, consultants, advisors, officers or authorised representatives are liable for any loss or damage arising as a result of reliance placed on the contents of this report.